



Cape Henlopen School District
Local Funds Performance Audit
For Year End June 30, 2021

What Was Performed? A performance audit of the design and operation of Cape Henlopen School District's internal controls over Local Funds and compliance with the requirements of the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *Budget and Accounting Policy Manual*, School District Accounting Policies, and the School District Budget.

Why This Engagement? The State Auditor is authorized under 29 Del. C., §2906 to conduct post-audits of local school district tax funds budgets and expenditures. Delaware Code provides for school districts and vocational-technical school districts to levy and collect additional taxes for school purposes upon the assessed value of real estate in the district with some exceptions. For purposes of this report, real estate taxes levied for school purposes are referred to as "Local Funds." The school districts' authority to levy taxes is governed by 14 Del. C., c. 19 for nonvocational districts and by 14 Del. C., c. 26 for vocational districts.

There were four objectives established for the performance audit of the School District:

1. School district internal controls over the expenditure of Local Funds were designed and operated based on requirements in the *Delaware Code*, State of Delaware *Administrative Code*, State of Delaware *Budget and Accounting Policy Manual*, School District Accounting Policies, and the School District Budget.
2. The school district's internal controls over the receipt of Local Funds were designed and operated in accordance with the requirements.
3. The school district's real estate taxes were approved and calculated in accordance with the requirements.
4. The school district's tuition tax funds were calculated and spent in accordance with the requirements.

In March 2020, the Governor of the State of Delaware declared a state of emergency to mitigate the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and included temporary school district closures. In response to the challenges faced by school districts related to teaching, remote learning, nutrition and emotional support to students, State Auditor McGuinness honored requests from school districts to delay this engagement. This accommodation not only fulfilled the needs of school districts but ensured the integrity of the engagement.

What Was Found? Based on the work performed, the following findings were identified:

- **Lack of Proper Approvals in State Accounting System:** Seven non-tuition local tax funds disbursement transactions for minor capital, totaling \$23,972, lacked proper approval in the state accounting system (FSF) of the forty tested disbursement transactions.
- **Non-Compliance with State Procurement Requirements:** One purchase order for \$62,500 did not have the required state procurement actions taken by the district of the five tested purchase orders. This included not issuing an RFP for services or maintaining a written determination for a sole source procurement.
- **Debt Service Reserve Exceeds Allowable %:** The district debt service rate for FY2021 was 122.64% of the expected total debt service expenditures expected for FY2022, which exceeded the 110% of future fiscal payments allowed. The district's debt tax-rate setting process did not consider other significant

debt service revenue sources and used the maximum tax rate approved rather than a calculated rate.

The Cape Henlopen School District Local Funds Performance Audit for Fiscal Year Ended June 30, 2021 can be found on our website: [click here](#).

For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.
